

# Fairfax County Economic Index

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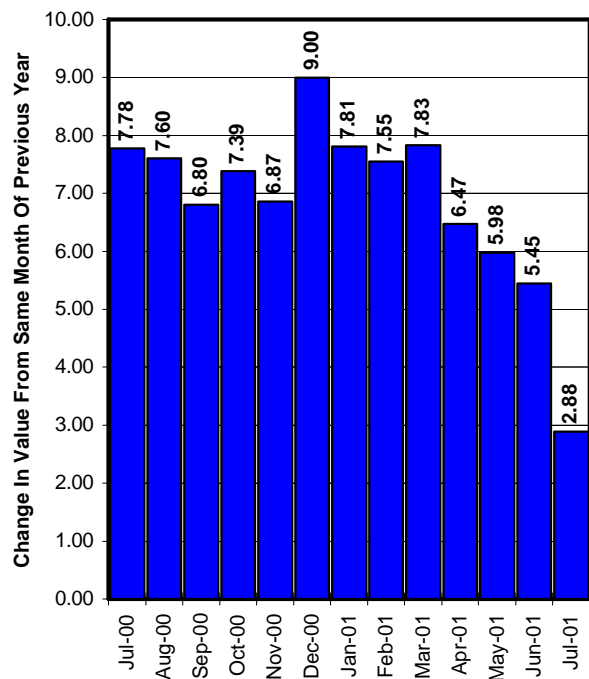
## Economy Continues To Slow In July But Leading Indicators Are Slightly Positive

The **Fairfax County Coincident Index**, which represents the current state of the County's economy, decreased to 130.9 in July for a decline of 1.7 percent from its June level. This decrease in the Index extended its downward track to a fourth consecutive month and to five monthly declines in the past six months. Still, for the 12-month period ending in July, the Index is up 2.25 percent. In July, three of the Index's four components were negative.

- Consumer confidence was down sharply in July after increasing in June and has now been negative in seven of the last eight months;
- Transient occupancy tax collections, adjusted for inflation and seasonal variation, declined for a sixth consecutive month; and,
- Total employment decreased slightly from its June level; while
- Sales tax collections, adjusted for inflation and seasonal variation, increased slightly gaining for the second time over the last three months.

The **Fairfax County Leading Index**, which is designed to forecast the performance of the County's economy nine to twelve months in advance, increased to 103.3 in July for a gain of 0.34 percent. July's increase in the Leading Index exceeded its decrease in June and, combined with its small gain in May, may be defining the bottom of its downward trend that dates back 18 months to the beginning of 2000.

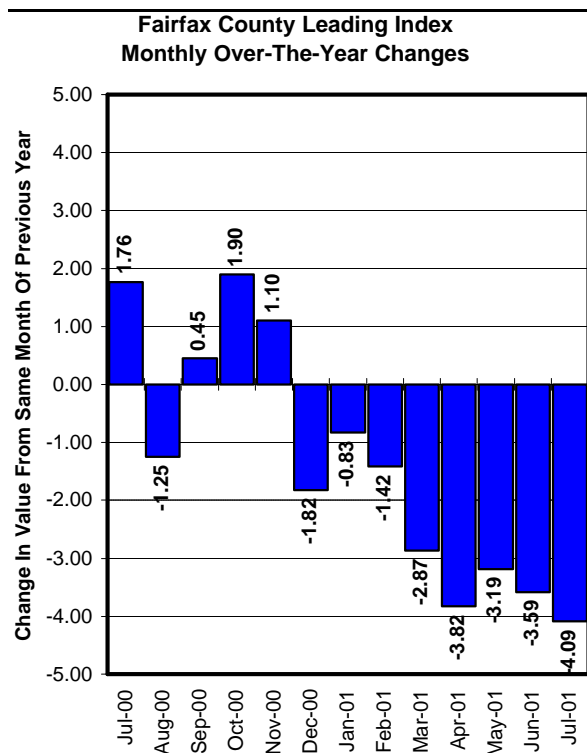
**Fairfax County Coincident Index  
Monthly Over-The-Year Changes**



Source: Center for Regional Analysis, George Mason University

In July, four of the Index's five components contributed to its gain.

- New automobile registrations rose in July gaining for the second time in three months;
- Residential building permits registered a strong gain following five monthly declines;



Source: Center for Regional Analysis, George Mason University

- The total value of residential building permits increased for the second time in three months; and,
- Initial claims for unemployment insurance declined (improved) for the second month in a row; while,
- Consumer expectations (consumer confidence six months hence) declined following two monthly gains.

The Fairfax County economy continued to weaken in July with its Coincident Index falling below its historic growth track for the first time in four years (since July 1997). Even though this slowdown was broad based, consumer spending was still up. In contrast to the indicators of the economy's current direction, the leading indicators showed renewed strength and, over the last three months, the Index has appeared to stabilize, although at a level below its historic trend line. At this juncture, the leading indicators may be at a turning point while the economy's current performance is likely to moderate for several more months before regaining its upward momentum in the fourth quarter. However, how these local indicators and the County's economy actually perform during the fourth quarter and into 2001 may

be significantly impacted by the terrorist attacks in New York and at the Pentagon on September 11. The effects of the attacks on the national and world economies may alter the trends emerging at this time.

## CURRENT CONDITIONS

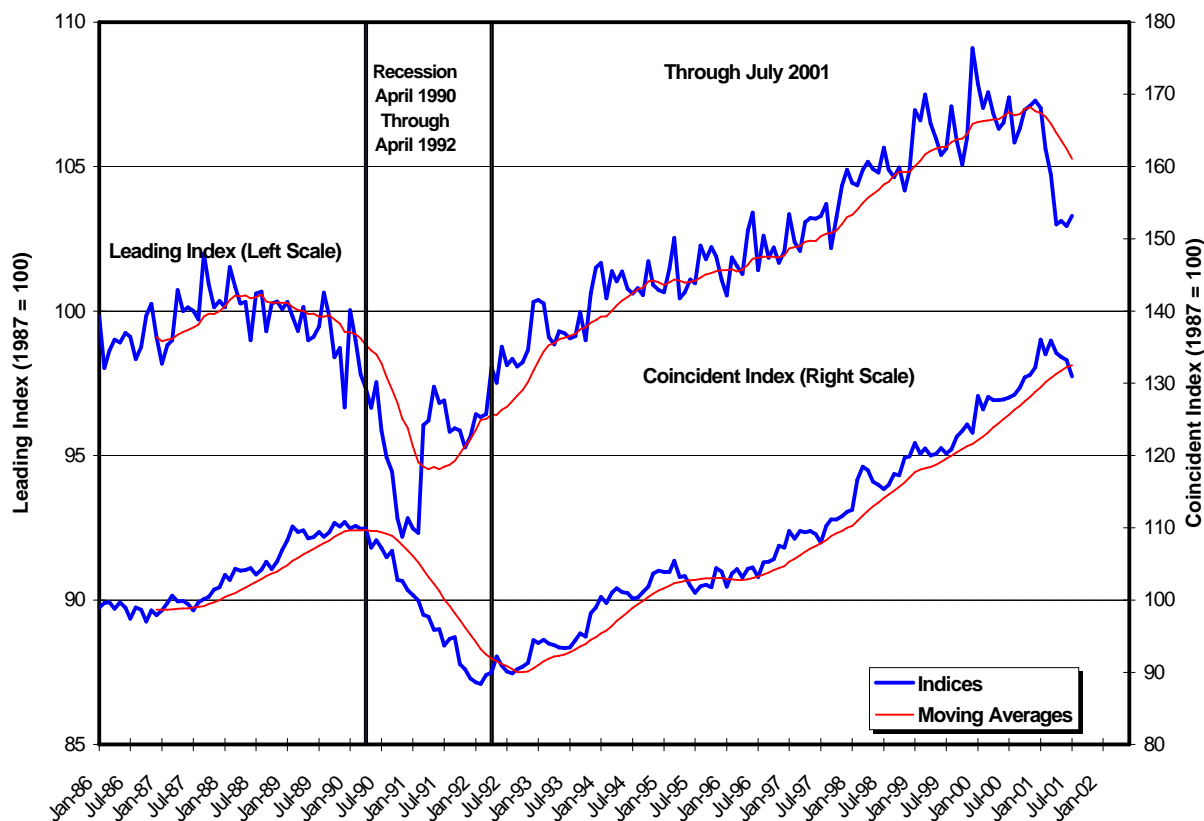
The Fairfax County economy continued to slow down in July, extending its deceleration to a fourth consecutive month. Through March, monthly over-the-year gains in the Coincident Index had held relatively steady. However, beginning in April, these monthly over-the-year differences have decreased and can be expected to decline further and in the coming months will likely fall below same-month values from the preceding year. Yet, even with this slowing, the Fairfax County economy is still growing and sustaining gains in both employment and consumer spending.

The County's employment base added 30,675 new jobs over the July 2000 to July 2001 period for a gain of 5.7 percent. This gain accounted for 38 percent of the employment growth (80,500) achieved in the Washington metropolitan area and, while reflecting a slower growth rate than in recent months, still substantially exceeds the metropolitan gain of 2.9 percent and the national job growth rate of 0.4 percent. The County's labor market remains tight with unemployment standing at 1.4 percent, almost 50 percent below the Washington metropolitan unemployment rate of 2.7 percent. And, where initial claims for unemployment insurance had been increasing rapidly in the second quarter, they have decreased in June and July, although they remain well above same-month values last year. Continuing job growth in the face of increasing lay offs, especially in the technology sector, demonstrates the broad-based strength of the local economy and has supported continuing income growth and consumer spending in the County.

Three indicators in July confirm the underlying strength of consumer spending in the County. First, retail sales increased for the second time in three months although over-the-year they are off slightly (1.9 percent). Second, month-to-month new automobile sales gained 4.4 percent in July and they have also been up in two of the last three months although they are still down slightly over the year. And, third, residential building permits rebounded in July after being down in each of the previous five months.

These gains in consumer spending are in sharp contrast with July's decrease in consumer confidence.

## Business Cycle Indicators – Fairfax County, Virginia



Source: Center for Regional Analysis, George Mason University

If consumer confidence continues to erode and consumer spending, which has helped to sustain the economy's growth over the past year, weakens going into the holiday season, the current slowdown is likely to accelerate and extend into next year.

## NEAR-TERM OUTLOOK

The leading indicators in July, in combination with their performance in May and June, appear to be the beginnings of a turn around. Over this three-month period, the leading indicators have stopped declining and turned slightly positive, although, on a monthly over-the-year basis, the trend is still pointing downward. With the leading edge of the County's economy stabilizing and moving slightly higher after declining 5.6 percent since its peak in December 1999, the early signs of a re-acceleration in the broader economy are apparent. While the trend is not well established and depends on improvement in both the national and international economic environment, the underlying strength of the local economy is evident in its July performance.

However, how the Fairfax County economy reacts to the tragic events on September 11 cannot be projected at this time. The August data reported next month will not reflect the subsequent economic reaction to these terrorist acts. As such, July and August data will provide a baseline measure of the County's pre-September 11 economic condition as well as a framework for evaluating the short- and long-term impacts of these events on its performance. At best, the County's economy will continue its correction. The downside of these negative impacts will be reflected in decreased consumer spending and a general weakening in the economy that could delay its recovery for many months.

## Fairfax County, Virginia Economic Indicators Current and Previous Months

| Economic Indicator  | Estimates         |                 |                 | Percent Change         |                        |
|---|-------------------|-----------------|-----------------|------------------------|------------------------|
|   | Jul-01<br>Prelim. | Jun-01<br>Final | Jul-00<br>Final | Jun-01<br>to<br>Jul-01 | Jul-00<br>to<br>Jul-01 |
| <b>Fairfax County Business Cycle Indicators</b>                     |                   |                 |                 |                        |                        |
| Coincident Index (1987 = 100)                                       | 130.93            | 133.19          | 128.05          | -1.69                  | 2.25                   |
| Leading Index (1987 = 100)  | 103.29            | 102.94          | 107.38          | 0.34                   | -3.81                  |
| <b>Fairfax County Coincident Index Components</b>                   |                   |                 |                 |                        |                        |
| Total Covered Employment (Seasonally Adjusted)                      | 568,913           | 569,311         | 538,238         | -0.07                  | 5.70                   |
| <i>Total Covered Employment (Unadjusted)</i>                        | <i>572,111</i>    | <i>576,057</i>  | <i>541,263</i>  | <i>-0.69</i>           | <i>5.70</i>            |
| Transient Occupancy Tax (\$'000='87, Smoothed, Seasonally Adjusted) | 314               | 369             | 331             | -14.71                 | -4.98                  |
| <i>Transient Occupancy Tax (\$'000=Current, Smoothed Only)</i>      | <i>574</i>        | <i>607</i>      | <i>584</i>      | <i>-5.41</i>           | <i>-1.71</i>           |
| Sales Tax Receipts (\$'000='87, Seasonally Adjusted)                | 7,863             | 7,829           | 8,016           | 0.44                   | -1.91                  |
| <i>Sales Tax Receipts (\$'000=Current, Unadjusted)</i>              | <i>10,197</i>     | <i>11,097</i>   | <i>10,495</i>   | <i>-8.11</i>           | <i>-2.84</i>           |
| South Atlantic Consumer Confidence                                  | 156.4             | 164.7           | 189.4           | -5.04                  | -17.42                 |
| <b>Fairfax County Leading Index Components</b>                      |                   |                 |                 |                        |                        |
| New Automobile Registrations (Seasonally Adjusted)                  | 5,530             | 5,295           | 5,702           | 4.43                   | -3.02                  |
| <i>Automobile Registrations (Unadjusted)</i>                        | <i>6,287</i>      | <i>5,964</i>    | <i>6,483</i>    | <i>5.42</i>            | <i>-3.02</i>           |
| Initial Unemployment Claims (Seasonally Adjusted)                   | 1,518             | 1,570           | 576             | -3.28                  | 163.72                 |
| <i>Initial Unemployment Claims (Unadjusted)</i>                     | <i>1,519</i>      | <i>1,490</i>    | <i>576</i>      | <i>1.95</i>            | <i>163.72</i>          |
| South Atlantic Consumer Expectations                                | 94.2              | 97.1            | 119.1           | -2.99                  | -20.91                 |
| Residential Building Permits (Number of Units, Seasonally Adjusted) | 462               | 397             | 904             | 16.41                  | -48.95                 |
| <i>Residential Building Permits (Number of Units, Unadjusted)</i>   | <i>485</i>        | <i>449</i>      | <i>950</i>      | <i>8.02</i>            | <i>-48.95</i>          |
| Residential Building Permit Value (\$'000='87, Seasonally Adjusted) | 27,867            | 26,308          | 38,535          | 5.93                   | -27.68                 |
| <i>Residential Building Permit Value (\$=Current, Unadjusted)</i>   | <i>47,091</i>     | <i>50,827</i>   | <i>62,953</i>   | <i>-7.35</i>           | <i>-25.20</i>          |
| <b>Fairfax County Labor Force</b>                                   |                   |                 |                 |                        |                        |
| Total Labor Force (Seasonally Adjusted)                             | 591,514           | 592,126         | 558,768         | -0.10                  | 5.86                   |
| <i>Total Labor Force (Unadjusted)</i>                               | <i>607,500</i>    | <i>601,269</i>  | <i>573,869</i>  | <i>1.04</i>            | <i>5.86</i>            |
| Unemployment Rate (Percent, Seasonally Adjusted)                    | 1.40              | 1.79            | 0.77            | --                     | --                     |
| <i>Unemployment Rate (Percent, Unadjusted)</i>                      | <i>1.76</i>       | <i>2.15</i>     | <i>1.27</i>     | <i>--</i>              | <i>--</i>              |

Notes: All components included in the indices are seasonally adjusted. In addition, those expressed in dollar value (Building Permit Value, Transient Occupancy Tax, and Sales Tax) are expressed in constant 1987 dollars. Initial Claims are inverted prior to inclusion in the Leading Index; that is, an increase in claims results in a decrease in the index and visa versa. Because of its quarterly collection schedule, the Transient Occupancy Tax is smoothed. Unadjusted data (*italics*) and Fairfax County Labor Force data are not included in either index, but are shown for informational purposes. All percent changes are calculated from unrounded data.

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*We are on the web at:*  
**[www.co.fairfax.va.us/comm/  
economic/economic.htm](http://www.co.fairfax.va.us/comm/economic/economic.htm)**

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